

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

20 June 1984

EXAMINER HEARING

IN THE MATTER OF

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| Application of Robert L. Bayless | CASE |
| for surface commingling, Rio Arriba | 8238 |
| County, New Mexico. | |

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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|--------------------------|-------------------------------|
| For the Oil Conservation | W. Perry Pearce |
| Division: | Attorney at Law |
| | Legal Counsel to the Division |
| | State Land Office Bldg. |
| | Santa Fe, New Mexico 87501 |

For the Applicant:

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I N D E X

STATEMENT BY MR. BAYLESS 3

E X H I B I T S

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|-------------------------------|---|
| Bayless Exhibit One, Letter | 4 |
| Bayless Exhibit Two, Letter | 5 |
| Bayless Exhibit Three, Letter | 5 |
| Bayless Exhibit Four, Letter | 5 |

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MR. STOGNER: We're going to call next Case Number 8238.

MR. PEARCE: That case is on the application of Robert L. Bayless for surface commingling, Rio Arriba County, New Mexico.

MR. BAYLESS: I'm Robert L. Bayless, an independent producer from Farmington.

I've appeared before the Commission before on my own behalf.

MR. PEARCE: Okay, Mr. Bayless, I suppose what you say here you'll want considered as evidence in our record, so if you'll rise I'll swear you and we'll let you testify.

MR. PEARCE: Thank you, sir, if you would explain to us what we can do for you.

MR. BAYLESS: Okay, I have request letters and I have a small map, which perhaps I should introduce -- I think you have a copy and I should introduce it.

MR. STOGNER: The copy that you're referring to, was that in the application that you filed?

MR. BAYLESS: Yes, it is. I have a letter of December 30, '83 to the BLM with a notation at the bottom by the BLM approved as amended.

MR. STOGNER: Okay.

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2 MR. PEARCE: For clarification
3 sake, sir, let's mark that Exhibit One, the December 30th
4 letter.

5 MR. BAYLESS: Yes, sir.

6 MR. PEARCE: From you to the
7 BLM.

8 And was the map attached?

9 MR. BAYLESS: The map was -- it
10 was attached on the back.

11 The map on the back is a lease
12 map showing the lease. It's a 4-section Jicarilla lease.
13 It shows Well No. 4 and Well No. 5 with a flow line and a
14 temporary steel flow line in between the two.

15 Okay, that's Exhibit One then?

16 MR. STOGNER: Before we go any
17 further, the heavy double dotted line is, I assume, the --

18 MR. BAYLESS: It's the highway.

19 MR. STOGNER: The highway. I
20 thought it was a pipeline.

21 MR. BAYLESS: Well, when this
22 map was originally drawn I think it was not blacktop. It
23 is now the blacktop road. It's south out of Dulce. This is
24 on the Jicarilla Reservation.

25 MR. STOGNER: Thank you, sir.

MR. BAYLESS: All right, then
Exhibit -- perhaps you would like Exhibit Two and Three,
letters of February the 3rd and February the 29th from the

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Aztec Office of the Oil Conservation Division back to me.

MR. STOGNER: Okay, Exhibit Two will be the letter dated February 3rd from Mr. Frank Chavez to you and Exhibit Three will be the letter dated February 29th from Frank Chavez to you.

MR. BAYLESS: Yes, sir.

MR. STOGNER: Okay.

MR. BAYLESS: Then we wrote a letter requesting the hearing to you, our date of May the 23rd.

MR. STOGNER: This should be --

MR. BAYLESS: Exhibit Four.

MR. STOGNER: -- Exhibit Four.

All right.

MR. BAYLESS: To recap this letter to you, basically it points out that our Well No. B-4 was drilled and tied into the gas purchaser, being Northwest Pipeline.

When Well B-5 was drilled, after their evaluation, they elected not to tie the well in. It's our position in this letter that actually the Well 5 was better than the Well 4, but the natural gas market deteriorated between the time of the 4 and the 5 and they did not opt to tie the well in.

They then came back to us with a proposal that we would pay for a meter installation and so forth. We felt that this was probably not economic for the

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2 well, so we then have proposed to do a surface commingling
3 of those two wells, running through the same meter and that
4 we would allocate production between the wells based on the
5 annual deliverability test.

6 The wells are on a common lease with the
7 Jicarillas having common royalty and a common operator myself.

8 MR. STOGNER: Mr. Bayless,
9 would you see any problem of additional expenses, I know
10 there probably would be, would there be any additional
11 problem to either meter either the No. 4 or 5 before
12 commingling and then having another meter on the commingled
13 line going into the main Northwest Pipeline's production?

14 MR. BAYLESS: I do see
15 additional expense and it would be our own individual meter.
16 We would prefer not doing it that way but certainly it is a
17 better alternative than for Northwest -- the Northwest
18 alternative.

19 Will you -- I don't know how to
20 phrase this. Would you consider an allocation type meter?

21 Well, we will have to split the
22 volumes between the two wells and would you say that we will
23 use the master -- the meter of Northwest as the master meter
24 and then subtract what goes through the second meter that
25 you refer to, to come up with the allocation?

MR. STOGNER: With a more
accurate reading of the individual well's production.

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MR. BAYLESS: Yes.

MR. STOGNER: I've seen that this is a prorated gas pool.

MR. BAYLESS: If, as an alternative to that we would probably prefer running more frequent deliverability tests between the two -- with the two wells than the annual test, if you feel like that would satisfy your objective of having a better allocation factor.

MR. PEARCE: Mr. Bayless, if I can ask you a couple of questions for the record in this matter.

In your letter of May 23rd, 1984, you refer to some additional expense which would be incurred if separate metering is required and in your testimony previously you have spoken that same, some additional added expense.

Is it your opinion that if those additional expenses are incurred in the operation of these two wells that the ultimate recovery of reserves from these two wells will be reduced because of the increased costs?

MR. BAYLESS: Yes, I would think so.

MR. PEARCE: Who owns the surrounding acreage, if you know, or operates wells on that acreage?

MR. BAYLESS: It would appear

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2 from -- excuse me, it would appear from my map that North-
3 west Production has the acreage to -- immediately to the
4 north. I would probably rather verify that and submit that
5 information to you.

6 MR. PEARCE: If you would sir,
7 I'd appreciate it. Thank you.

8 I have nothing further at this
9 time.

10 MR. STOGNER: I have nothing
11 further for Mr. Bayless.

12 Is there anything else, Mr.
13 Bayless, that you feel should come before this case this
14 morning?

15 MR. BAYLESS: I perhaps will be
16 redundant but we felt that there was no way that even if we
17 made a fairly gross error in allocation between the wells,
18 which we don't feel we will be making, but even in the worst
19 case if we did make a gross misallocation, these wells both
20 are going to be in a stripper category fairly soon, that
21 there could be a hardship worked on the offset acreage hol-
22 ders, and certainly not one upon the Jicarilla Tribe.

23 We can't see how anybody can be
24 adversely affected.

25 MR. STOGNER: A question has
26 occurred to me. If commingling is permitted, would North-
27 west Pipeline take the same amount of gas from the com-
28 mingled line as it has from just the single No. 4 line, or

1 would they take more?

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3 MR. BAYLESS: I think under the
4 formula that they try to take gas from producers, they
5 should take more. They should take roughly the amount they
6 would take if they had an individual meter there for each
7 well.

8 To answer that question intel-
9 ligently right now, the gas market in northwest New Mexico
10 is very poor and -- but it would make sense to me philosoph-
11 ically that they should take roughly the amount that they
12 should take from each well.

13 MR. PEARCE: Not to mention
14 financially.

15 MR. BAYLESS: I'll buy that.

16 MR. STOGNER: Okay, for the re-
17 cord we will admit Exhibits One through Four into evidence
18 and if there is nothing further in this case this morning
19 this case will be taken under advisement.

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25 (Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete and correct record of the proceedings in the Examiner's hearing of Case No. 8238, heard by me on June 20, 1984.

Michael E. Stapp, Examiner
Oil Conservation Division